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Pakistan Doubles Sugar Import Tariff

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Report Highlights:

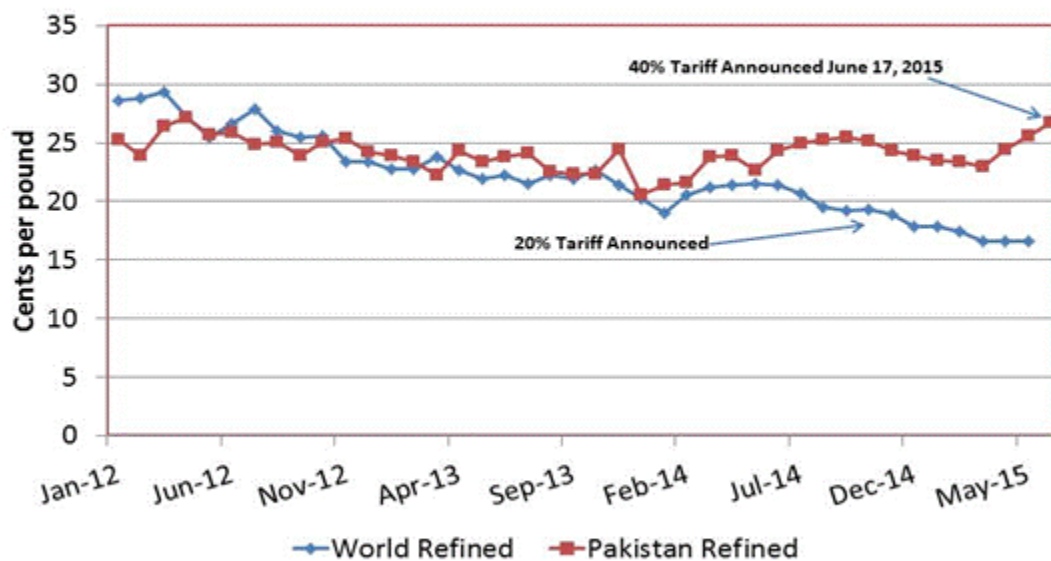
The Government of Pakistan recently increased the sugar import tariff from 20 to 40 percent in an effort to shield its domestic industry from imports as domestic prices rise in response to strong exports between December and May. During that period, Pakistan exported an estimated 470,000 metric tons of sugar at an estimated subsidy cost of \$47 million. Pakistan's sugar export quota is open through July 15 and is currently 650,000 metric tons.

Government of Pakistan Doubles Sugar Import Tariff

On June 17, 2015, the Government of Pakistan's cabinet-level Economic Coordination Committee (ECC) announced an increase in the sugar import tariff from 20 to 40 percent. The announcement came as the world price of sugar continues to decline while the domestic price of sugar in Pakistan continues to rise, creating a steadily widening price gap. The higher tariff will create additional protection for Pakistan's domestic sugar industry as subsidies fuel exports. According to provisional official statistics, sugar exports since the subsidy was announced had climbed to 470,000 metric tons through the end of May with the support of an estimated \$47 million in export subsidies.

The ECC initially approved an export quota of 500,000 metric tons that was valid through May 15. However, on April 9, 2015, the ECC increased the export quota to 650,000 metric tons and extended the export period through July 15, 2015. As the gap between foreign and domestic sugar prices widens, it is not clear if the current tariff and subsidy are high enough to protect the domestic market. Once the export quota closes on July 15, importers in Pakistan may find that imports are profitable over the next few months.

Import Tariffs Shield Pakistan's Sugar Market...



...While Subsidies Fuel Exports

(Source: Pakistan Bureau of Statistics, Monthly Exports)

